



CITY OF HOUSTON

Executive Order

Subject: **Fixed Asset Management**

E.O. No.

1-30 Revised

Effective Date:

March 1, 2002

1. PURPOSE

- 1.1. To establish a system accounting, reporting and management for fixed assets.

2. OBJECTIVES

- 2.1. Ensure consistent citywide policies and procedures governing fixed asset accounting and reporting.
- 2.2. Enhance management control and accountability over fixed assets.
- 2.3. Ensure compliance with related government regulations and requirements.
- 2.4. Improve capital expenditure planning.
- 2.5. Ensure that the city has adequately addressed risk to assets through appropriate internal controls and, where appropriate, insurance coverage.
- 2.6. Implement a system of cost accounting and cost recovery for fixed assets.
- 2.7. Ensure proper financial accounting and reporting in accordance with standards set by the Governmental Accounting Standards Board (GASB), the National Association of Regulatory Utility Commissioners (NARUC) or other applicable government accounting standards and Generally Accepted Accounting Principles (GAAP).

3. DEFINITION

- 3.1. Fixed assets are defined as the city's plant, property and equipment assets.
- 3.2. Generally Accepted Accounting Principles (GAAP) describes broadly the body of principles that governs the accounting for financial transactions underlying the preparation of a set of financial statements. Generally accepted principles are derived from a variety of sources, including promulgations of the Financial Accounting Standards Board and its predecessor, the Accounting Principles Board, and the American Institute of Certified Public Accountants. Other sources include the general body of accounting literature consisting of textbooks, articles, papers, etc.

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- 3.3. Governmental Accounting Standards Board (GASB) was formed to establish standards of financial accounting and reporting for state and local governmental entities. Its standards guide the preparation of external financial reports of those entities.
- 3.4. National Association of Regulatory Utility Commissioners (NARUC) member agencies regulate the activities of telecommunications, energy, and water utilities; serve the public interest by improving the quality and effectiveness of public utility regulation; and by law have the obligation to ensure the establishment and maintenance of such energy utility services as may be required by the public convenience and necessity, and to ensure that such services are provided at rates and conditions that are just, reasonable and nondiscriminatory for all consumers.

4. SCOPE

- 4.1. This policy applies to all departments of the city, without exception.

5. RESPONSIBILITIES

- 5.1. The City Charter and the Code of Ordinances of the City of Houston prescribe various duties, responsibilities and authority to the Mayor, City Controller and Director of Finance and Administration. Among these are responsibilities that necessitate the issuance of policies and procedures to ensure that fixed assets are well managed. To fill this need, the Mayor established the executive order governing the guidelines. The City Controller and the Administration issue policy and procedure manuals delineating roles and responsibilities consistent with the executive order.
- 5.2. By this executive order, city employees are expressly directed to follow the fixed asset policies and procedures. All employees shall exercise the utmost care and diligence in the use, maintenance and protection of all public assets.
- 5.3. To assist in meeting the administration's custodianship responsibilities, the Director of Finance and Administration shall issue a manual containing city-wide fixed asset accounting and management procedures, and shall update the procedures contained therein from time to time as may be appropriate.
- 5.4. Department Directors, by this executive order and such ordinances as may exist, are assigned custodianship of the fixed assets controlled by their departments. To this end, Department Directors are responsible for implementing and ensuring full departmental compliance with the fixed asset accounting policies and procedures as promulgated by the Mayor, City Controller and Director of Finance and Administration.

6. REQUIREMENTS

- 6.1. To ensure that the City of Houston maintains adequate records of its fixed assets, it is mandatory that all departments follow consistent accounting policies and procedures.
- 6.2. Each Department Director of the City of Houston shall ensure that the policies established and approved by the Mayor and/or the City Controller and all procedures issued in the FIXED ASSET ACCOUNTING AND MANAGEMENT PROCEDURES MANUAL (approved by the Director of Finance and Administration) are followed in his or her department.
- 6.3. From time to time, these policies and procedures may be revised to take into account statutory, systems technology, or other changes, without revision to this executive order. The most recent issuance of the policy or procedure shall be the one followed by each department.
- 6.4. Exceptions to compliance with fixed assets accounting policies may be made only upon review of the Director of Finance and Administration and written authorization of the Director of Finance and Administration and City Controller. Exceptions to compliance with the FIXED ASSET ACCOUNTING AND MANAGEMENT PROCEDURES MANUAL may be made only upon written approval of the Director of Finance and Administration.